

THIS REPORT CONTAINS ASSESSMENTS OF COMMODITY AND TRADE ISSUES MADE BY USDA STAFF AND NOT NECESSARILY STATEMENTS OF OFFICIAL U.S. GOVERNMENT POLICY

Required Report - public distribution

**Date:** 4/5/2013

**GAIN Report Number:** 1301

## EU-27

### Grain and Feed Annual

## 2013

**Approved By:**

David G. Salmon

**Prepared By:**

Steve Knight

**Report Highlights:**

The outlook for the MY2013/14 EU27 grain crop is positive. While there were some weather-related fall planting delays, the crops are developing with minimal winterkill. A partial thaw in February was followed by a cold spell, which delayed spring plantings. If the forecast crop of 292 million metric tons (MMT) is realized, it will be a more sizeable crop than last year, but still 20 MMT below the record. Feed grain consumption is forecast upwards, albeit masking a switch from corn to other grains, while industrial grain usage is forecast up, although limited by the temporary closure of a UK-based bio-ethanol plant. The MY2013/14 balance suggests that the EU27 will be able to meet export demand, but much will ultimately depend on the size and quality of the harvest.

## **Commodities:**

## **Author Defined:**

### **Introduction**

This report presents the first outlook for grain and feed, and Production, Supply and Demand (PS&D) forecasts for the Marketing Year (MY) 2013/14. Unless stated otherwise, data in this report is based on the views of Foreign Agricultural Service analysts in the EU27 and is not official USDA data.

This report would not have been possible without the valuable expert contributions from the following Foreign Service analysts:

Xavier Audran, FAS/Paris  
Ornella Bettini, FAS/Rome  
Mila Boshnakova, FAS/Sofia  
Monica Dobrescu, FAS/Bucharest  
Bob Flach, FAS/The Hague  
Marta Guerrero, FAS/Madrid  
Steve Knight, FAS/London  
Mira Kobuszynska, FAS/Warsaw  
Roswitha Krautgartner, FAS/Vienna  
Sabine Lieberz, FAS/Berlin  
Jana Mikulasova, FAS/Prague  
Ferenc Nemes, FAS/Budapest  
Barrie Williams, FAS/USEU/Brussels

HA = Hectares

MT = Metric Ton

MY = Marketing Year. Post and USDA official data both follow the EU27 local marketing year of July to June except for corn which follows an October to September calendar.

TY = July to June for wheat and October to September for coarse grains

## **Executive Summary**

EU27 farmers are expecting a sizeable grain crop of 292 million metric tons (MMT) in MY2013/14. If realized, this will lessen the focus on the low carry-in stocks from the previous marketing year given the projected increase in domestic consumption and strong wheat exports. Necessarily, the focus will be on the crop as it develops over the coming months.

Generally, conditions are pointing towards a good MY2013/14 harvest, both in terms of size and quality. Plantings were initially delayed, due to extremely dry weather in Bulgaria and Romania, and very wet weather in parts of France and the UK. Only in the UK, however, were the conditions and delays sufficient to cause a major upset in the form of a shift from winter wheat to spring barley plantings. While there are some concerns for the root development of the winter crops, be it in dry or overly wet soils depending on the country, the winter weather was considered to be favorable to crop development. Indeed, the mild weather, the reduced snow cover counterbalanced by less extreme cold, means winterkill is reported as minimal. A partial thaw in February was followed by a cold spell across much of the EU27. Consequently, there is now concern about potential frost damage in some regions, as some crops are unprotected by snow cover. The conditions have also delayed fertilizer and pesticide applications and the start to spring plantings.

Forecast MY2013/14 EU27 grain production exceeds domestic consumption by 16 MMT. MY2013/14 is expected to see total feed grain consumption up slightly year-on-year, but this masks an anticipated switch back from corn to wheat and barley. An increase is again seen in food, seed and industrial (FSI) use of grain, predominantly due to continued increases in grain used for renewable transportation fuels and despite the temporary closure of a UK-based bio-ethanol facility this season. Third country imports, principally corn, are projected to decline from the high levels expected to be reached this season, offsetting the increase in availability of domestic supplies of feed. Exports of wheat are forecast to remain at 20 MMT, due to ongoing demand from North Africa, while carry-out stocks at the end of the season are forecast to recover marginally. Given the low carry-out stocks expected this season, there is little room in the balance for a supply shock should the current grain harvest forecast not be achieved. Any factors that might have a negative effect on yield or quality are attracting significant attention from the market.

## Wheat

Wheat EU-27	2011/2012		2012/2013		2013/2014	
	Market Year Begin: Jul 2011		Market Year Begin: Jul 2012		Market Year Begin: Jul 2013	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	25,701	25,680	25,498	25,500		26,000
Beginning Stocks	11,745	11,745	12,273	13,595		10,295
Production	137,227	137,300	132,251	132,000		139,000
MY Imports	7,370	7,369	6,000	5,700		5,250
TY Imports	7,370	7,369	6,000	5,700		5,250
TY Imp. from U.S.	1,183	1,183	0	0		0

<b>Total Supply</b>	156,342	156,414	150,524	151,295		154,545
<b>MY Exports</b>	16,569	16,569	19,500	20,000		20,000
<b>TY Exports</b>	16,569	16,569	19,500	20,000		20,000
<b>Feed and Residual</b>	58,000	57,000	52,000	51,000		52,500
<b>FSI Consumption</b>	69,500	69,250	69,500	70,000		69,750
<b>Total Consumption</b>	127,500	126,250	121,500	121,000		122,250
<b>Ending Stocks</b>	12,273	13,595	9,524	10,295		12,295
<b>Total Distribution</b>	156,342	156,414	150,524	151,295		154,545
1000 HA, 1000 MT, MT/HA						

EU27 wheat production is currently forecast to rise to 139 MMT in MY2013/14, an increase of 7 MMT from a year earlier. Most of the EU27 is expected to see an increased planted area and improved yields. Only in the UK are there currently significant concerns for the size of the crop; a wet summer followed by an extremely wet fall initially delayed planting and ultimately reduced planted area. Overall, the total area planted to wheat is currently forecast up 500,000 hectares year-on-year at 26 million hectares. With the EU27 having experienced relatively favorable over winter conditions thus far, it is only this recent cold spell that has generated concern for the MY2012/13 harvest.

In Bulgaria and Romania, planting conditions were challenging due to the significant drought from last July through September, but rains in October and November saw accelerated plantings. The total wheat areas are forecast to be up 6 percent in Bulgaria and 5 percent for Romania. In Bulgaria, a reduction in rapeseed plantings is also expected to support the wheat area. The winter weather has been mild, and although snow cover was less significant than the norm, no winterkill has been reported. Lower seasonal rainfall across the region and uneven distribution throughout the two countries has resulted in lower sub-soil moisture and this may expose the wheat crop to risk if rains are not forthcoming over the coming months. Average yields are expected to be very good, but not record high.

In Hungary, the area planted for the 2013 harvest is forecast up 4 percent from the previous year. Crop expectations are high due to good wintering conditions and abundant precipitation. The Czech Republic has also seen good over-wintering conditions, while Poland is forecast to see an improved MY2013/14 harvest following significant losses due to winter kill in MY2012/13 and the consequent reduction in planted area. High wheat prices and good returns should see an increased planted area in Poland in MY 2013/14 and with over winter conditions again described as favorable, yield expectations are currently good.

The conditions in Germany are described as good and it is expected that extensive snow cover will protect the crop from damage following the return of cold weather. Only in regions where the wind has blown the snow away are there genuine concerns for the crop, but it is too early to assess the level of damage. Spring plantings which normally occur in March are delayed. The total winter planted area is estimated to have rebounded after the winterkill related drop in MY2012/13, but remains below average, as farmers feared another hard winter.

Despite last summer's drought, the soil moisture situation in Italy, notably in the north, is described as satisfactory. Consequently, both the Italian soft wheat area and that for durum is up year-on-year. The wheat crops are considered to be in good condition. Although some durum wheat has only recently been sown in some areas of central Italy, durum wheat production is forecast up 15 percent year-on-year.

In Spain, rainfall levels throughout the winter planting season have been over previous year's levels and over the historical average. This has reportedly allowed for good crop establishment. The favorable precipitation pattern has also encouraged a marginal increase in area planted to wheat at the expense of fallow land that remained unplanted last year due to unfavorable planting conditions. Good yields are currently forecast for Spain's MY2013/14 wheat crop.

Unlike much of the rest of the EU27, parts of France and the key grain growing areas of the UK experienced wet conditions through the latter part of last summer and into the planting season. In France, the wheat area is forecast up marginally, but the crop has continued to suffer from excessive rains. The wet conditions mean that the plant root systems are not well developed leaving them susceptible to drought in the coming months. The wet conditions have also delayed fertilizer and pesticide applications, increasing the risk of lower protein content. In the UK, the vast majority of the wheat crop is winter planted. The delayed MY2012/13 harvest and waterlogged fields limited access and the UK wheat planted area is subsequently forecast down 25 percent from the previous year. Like France, the UK crop is thought to be susceptible to damage and the recent cold spell has certainly increased concerns for both yield and quality. The UK is potentially facing its smallest wheat harvest in 30 years.

In summary, the sentiment is good but with the EU27 entering a critical yield and quality determining weather period, this could change. Any downward movement in yield expectations or reduction in quality will be of interest to the market, given the tightness in the EU27 balance this season and the prospect of reduced carry in stocks to MY2013/14.

Regarding the current season, production is now expected to have reached 132 MMT. Total EU27 wheat consumption in MY2012/13 is forecast to fall 5 MMT year-on-year. This is entirely due to reduced wheat use in feed in MY2012/13 expected to drop 6 MMT year-on-year. Within this total, a 2MMT decline is seen in Spain alone, with wheat being substituted for imported corn. Germany's usage is expected to be down 1.5 MMT, while both Poland and Denmark are projected to see drops of nearly 1 MMT, again due to substitution for other grains in the feed ration. Reduced hog numbers as well as a reduction in on-farm feeding of wheat are also factors. Unsurprisingly, given the forecast increase in production for MY2013/14 and increased availability, feed consumption of wheat is forecast to rise next season. However, it is currently only expected to increase by 1.5 MMT, in part due to a

recovery in on-farm feeding. The increase is tempered by forecast plentiful supplies of both corn and barley in MY2013/14.

Food, seed and industrial (FSI) usage is expected to be up marginally in MY2012/13, due to increased starch production – a new starch plant with processing capacity for 250,000 MT opens shortly in Austria. Also, in France, one plant is switching from wheat grain to wheat starch. The increase, however, has been tempered by the announcement in the UK that Ensus is to temporarily close its bio-ethanol plant. With a potential capacity of 1.1 MMT, although it has yet to operate to full capacity and most recently was substituting some corn for wheat, this is a significant development. Consequently, total EU27 FSI usage of wheat is forecast to fall in MY2013/14.

MY2012/13 imports of wheat are currently expected to reach 5.7 MMT. The suspension of import duties on low and medium-quality common wheat covered under the Tariff Rate Quotas (TRQs) was extended until June 30, 2013. While the TRQ allows for nearly 2.4 million MT of wheat imports, industry sources indicate that this quota will not be filled this season, due to the competitiveness of corn versus wheat in the feed formula. In contrast, the U.S. origin specific TRQ (572,000 MT), open since January 1, 2013 for low and medium-quality wheat to be imported with no levy, is expected to be fully utilized, due to the competitiveness of soft red winter wheat into the south of the EU27. MY2013/14 wheat imports are currently forecast to reach 5.25 MMT.

EU27 third country wheat export expectations have been revised upwards to 20 MMT in MY2012/13. In late March, with just three months of the marketing season remaining, over 16 MMT of export licenses have been granted. The EU27 exported a record 25 MMT of wheat in MY2008/09. This was followed by 22 MMT in MY2009/10 and nearly 23 MMT in 2010/11. In MY2011/12, the EU27 faced increased competition on third country markets but MY2012/13 has been characterized by strong export demand for EU27 wheat, particularly to North Africa. Despite the decline in EU27 production in MY2012/13, it was still a sizable crop, and the good quality in France, parts of Germany, and to the east of the EU27 (55 percent of Bulgarian wheat was of milling quality, the best for five years), has seen wheat being exported for food use to Nigeria, Libya, and Algeria. Germany has also recorded nearly 650,000 MT of wheat exports to Iran, while Romania has seen exports to Egypt, Iran, Pakistan, Saudi Arabia, and South Africa. This export trade has supported prices and further undermined wheat's competitiveness in feed.

EU27 wheat exports in MY2013/14 are forecast to remain at 20MMT, partly due to the anticipated increase in availability and the current price spread with Black Sea Origin (BSO) wheat. That said, much will depend on the quality of Ukraine's harvest. If it is of a good quality, then it could compete for market share with EU27 wheat. North African demand is forecast to remain strong, with both Morocco and Algeria expected to take increased supplies in MY2013/14. Egypt is also forecast to remain a significant destination for France's exports.

With stock levels currently expected to finish MY2012/13 at just over 10 MMT, they are inevitably under the spotlight. Supply shocks aside, stocks are currently forecast to recover marginally in MY2013/14.

## Barley

Barley EU-27	2011/2012		2012/2013		2013/2014	
	Market Year Begin: Jul 2011		Market Year Begin: Jul 2012		Market Year Begin: Jul 2013	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	11,943	11,910	12,604	12,450		12,450
Beginning Stocks	7,911	7,911	5,265	5,666		4,016
Production	51,449	51,650	54,407	54,350		56,500
MY Imports	431	430	200	100		100
TY Imports	339	339	200	100		100
TY Imp. from U.S.	0		0			
Total Supply	59,791	59,991	59,872	60,116		60,616
MY Exports	3,026	3,025	3,900	4,500		3,000
TY Exports	3,641	3,641	3,800	4,500		3,000
Feed and Residual	36,500	36,000	37,400	36,500		37,500
FSI Consumption	15,000	15,300	15,000	15,100		15,150
Total Consumption	51,500	51,300	52,400	51,600		52,650
Ending Stocks	5,265	5,666	3,572	4,016		4,966
Total Distribution	59,791	59,991	59,872	60,116		60,616
1000 HA, 1000 MT, MT/HA						

The total EU27 planted barley area is forecast unchanged on MY2012/13. Declines in Denmark, Germany, and Poland, however, are offset by a notable 250,000 hectare increase in the UK where spring plantings are expected to increase substantially, due to the reduced area planted to winter wheat. Within the German number, a higher winter area, but a reduced spring area reflects a rebound after the winterkill related switch in MY2012/13 and reduced spring planting of malting barley. The latter is reportedly due to producers being dissatisfied with prices received in the last two years. Improved yield prospects, particularly in Spain after the drought affected crop of MY2012/13 and in Ireland, which was contrarily affected by very wet conditions through the summer, means that the EU27 barley crop is currently forecast to increase by over 2 MMT to 56.5 MMT. As previously indicated, conditions over the winter have been very good, but with a larger proportion of the EU27 barley crop being spring sown there are more unknowns at this time than for wheat. Wet soil conditions have delayed spring plantings in France and the UK, but of more significance is the current cold spell affecting much of the EU27. Unless this causes any further significant delays to the already late planting, conditions do seem relatively positive and further weather shocks aside, the prospects for the 2013 harvest are currently good.

In the current season, production is revised to 54.4 MMT in the most part due to larger-than-expected yield and planted area in Poland. Nearly 4.1 MMT of export licenses have been granted up to the end of March. With licenses valid for the current month plus two, full season exports are currently forecast to reach 4.5 MMT with France, the EU27's major barley exporter, already reporting large feed barley exports to Saudi Arabia and Tunisia.

Feed barley usage in MY2012/13 is expected to increase by 500,000 MT, but this masks a 2 MMT decline in Spain. This has been more than offset by increased feed use of barley in Germany, up over 1 MMT, and also in France, Denmark, Sweden and the UK. FSI use is expected to be little changed in MY2012/13 but the tight balance currently indicates a low stock carry over into MY2013/14.

With exports in MY2013/14 forecast to reach 3 MMT and little change anticipated for FSI use, any downside to the outlook for this year's barley harvest will increase the focus on the feed number and ending stocks. At the current time, feed use is forecast to increase 1 MMT with a similarly sized recovery in stocks.

## Corn

Corn EU-27	2011/2012		2012/2013		2013/2014	
	Market Year Begin: Oct 2011		Market Year Begin: May 2012		Market Year Begin: Oct 2013	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	8,813	8,800	8,964	400		9,050
Beginning Stocks	4,832	4,832	6,695	6,721		4,471
Production	66,171	66,100	54,670	56,650		63,700
MY Imports	6,206	6,204	10,000	11,000		7,000
TY Imports	6,206	6,204	10,000	11,000		7,000
TY Imp. from U.S.	9		0			
Total Supply	77,209	77,136	71,365	74,371		75,171
MY Exports	3,214	3,215	1,000	1,000		2,500
TY Exports	3,214	3,215	1,000	1,000		2,500
Feed and Residual	52,000	52,000	50,500	53,000		51,000
FSI Consumption	15,300	15,200	15,500	15,900		16,750
Total Consumption	67,300	67,200	66,000	68,900		67,750
Ending Stocks	6,695	6,721	4,365	4,471		4,921
Total Distribution	77,209	77,136	71,365	74,371		75,171
1000 HA, 1000 MT, MT/HA						

Corn production in MY2012/13 is now expected to have surpassed 56.5 MMT, somewhat above previous forecasts. This is largely due to revisions to production numbers in three countries. For Spain, a previous expected decline in production did not occur following an upward revision to the planted area and a less than forecast decline in yields. For Hungary, while production fell significantly year-on-year, an upward revision to the previously expected planted area has lessened the decline. In Poland,

excellent yields combined to produce a record harvest of 4 MMT. Although higher than previous expectations, total EU27 production is still almost 10 MMT below that of MY2011/12. This is despite a 600,000 hectare increase in planted area. In addition to the situation in the aforementioned three countries, the dry conditions through the summer in much of central and southern Europe saw Romania record the largest year-on-year production drop of 4.4 MMT. Italy, Bulgaria, and France also reported reduced crops, the latter two despite increased planted areas. The extreme heat and drought in Bulgaria in July and August reduced quality as well as yield, and Bulgaria has also faced the challenge of aflatoxins in the crop.

Given the challenging growing conditions faced by the EU27 corn crop in MY2012/13, the outlook for overall yields for the MY2013/14 crop is improved. Consequently, despite a reduction in the forecast total area planted to corn, production is currently forecast to increase to nearly 64 MMT.

Corn imports are now expected to reach 11 MMT in MY2012/13. Due to corn's competitiveness in feed in the current marketing year, both Spain and Italy have imported significant quantities. Ukraine and Serbia are the main suppliers, but corn has also been sourced from the likes of Brazil, Russia, and Croatia. MY2013/14 is forecast to see imports fall to 7 MMT, in part due to the forecast increase in EU27 production. Feed use will also decline, due to increased competition from wheat and barley. Ending stocks are forecast to show some recovery from the low level expected at end MY2012/13, exacerbated by the expectation of lower prices in MY2013/14.

EU27 exports in MY2012/13 are now expected to be 1 MMT. Much of the year-on-year decline is due to the heavily reduced supply available for export in Romania, traditionally the EU27's top corn exporter. However, also of note are the challenges that Bulgaria is facing due to the discovery of aflatoxin in the crop. According to Bulgarian traders, the additional costs of quality inspections are making exports unattractive versus Ukraine origin corn in the Black Sea region. The improved prospects for the Romanian crop in MY2013/14 sees exports currently forecast to reach 2.5 MMT.

Feed consumption of corn, expected to increase in MY2012/13, due to its competitiveness, and the shortage of supply of other grains - principally wheat - is currently forecast to decline in MY2013/14. Demand for corn in the FSI sector is expected to increase nearly 750,000 MMT in MY2012/13. With food use little changed, the increase is largely due to increased industrial usage of corn in Spain and Hungary. In both cases, the increase is in bio-ethanol production, the latter country having seen the opening of a new facility. A further rise in industrial use is forecast for MY2013/14, again in large part due to the Hungarian bio-ethanol facility.

The tight corn balance in MY2012/13, and current expectation of reduced prices in MY2013/14, is expected to see a reduction in carry-in stocks into MY2013/14, most notably in Romania. As an aside, Bulgaria is expected to carry slightly larger stocks into next season, due to the aflatoxin issue.

## Rye

Rye EU-27	2011/2012		2012/2013		2013/2014	
	Market Year Begin: Jul 2011		Market Year Begin: Jul 2012		Market Year Begin: Jul 2013	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	2,281	2,240	2,283	2,350		2,475
Beginning Stocks	1,013	1,013	863	714		754
Production	6,919	6,830	8,392	8,650		8,600
MY Imports	289	290	50	200		100
TY Imports	301	302	50	50		100
TY Imp. from U.S.	0		0			
Total Supply	8,221	8,133	9,305	9,564		9,454
MY Exports	58	59	100	60		60
TY Exports	59	61	100	100		60
Feed and Residual	2,900	3,100	4,100	4,400		4,250
FSI Consumption	4,400	4,260	4,500	4,350		4,300
Total Consumption	7,300	7,360	8,600	8,750		8,550
Ending Stocks	863	714	605	754		844
Total Distribution	8,221	8,133	9,305	9,564		9,454

1000 HA, 1000 MT, MT/HA

Rye is predominantly planted to less fertile sandy regions. The main producing and consuming countries for rye in the EU27 are Germany and Poland, which account for about three quarters of the total EU27 market. MY2012/13 was characterized by excellent yields in both countries, Germany also having an increased area, and total EU27 production reached 8.65 MMT. The current crop is reported to be progressing well, with limited winterkill, although the recent poor weather has limited access to fields for fertilizer application and there are some concerns regarding the potential for frost damage in Germany. With last year's high yield unlikely to be repeated, production is forecast to decline marginally despite increased planted areas in both Germany and Poland.

Around half of the rye production is used in animal feeds. Following an increase in MY2012/13, rye being a good substitute for wheat, a small decline in feed use is forecast for MY2013/14. This is in part due to improved supplies of other grains, but also falling hog numbers in Poland. FSI use had been rising slowly but steadily year-on-year, supported by the growing share of rye being converted into bio-ethanol and in the form of rye-whole-plant silage in biogas digesters, mainly in Germany. However, declining food demand in Poland, as consumers switch away from rye bread and products, which is driven by high prices and an overall decline in bread consumption, tempered the rise in MY2012/13 and means overall FSI consumption is forecast little changed in MY2013/14.

## Sorghum

Sorghum EU-27	2011/2012		2012/2013		2013/2014	
	Market Year Begin: Jul 2011		Market Year Begin: Jul 2012		Market Year Begin: Jul 2013	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	111	110	102	110		120
Beginning Stocks	20	20	15	11		11
Production	673	670	560	485		600
MY Imports	88	88	300	360		150
TY Imports	126	126	300	300		150
TY Imp. from U.S.	4	2	0			
Total Supply	781	778	875	856		761
MY Exports	6	7	5	5		5
TY Exports	9	10	5	5		5
Feed and Residual	750	740	850	820		725
FSI Consumption	10	20	10	20		20
Total Consumption	760	760	860	840		745
Ending Stocks	15	11	10	11		11
Total Distribution	781	778	875	856		761

1000 HA, 1000 MT, MT/HA

MY2007/08 saw significant interest in the sorghum market when tight supplies of feed grains saw EU27 importers - mainly in Spain, the Benelux and France – dramatically increase their purchases of mainly U.S. sorghum to nearly 6 MMT. This opened the possibility of utilizing sorghum in the EU27 feed ration in years of tight feed grain supply and so has increased the possibility of future imports. Albeit at a very low level, MY2012/13 has seen Spain import limited quantities of sorghum, reportedly from the United States, Ukraine, and India.

## Oats

Oats EU-27	2011/2012		2012/2013		2013/2014	
	Market Year Begin: Jul 2011		Market Year Begin: Jul 2012		Market Year Begin: Jul 2013	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	2,684	2,600	2,662	2,585		2,590
Beginning Stocks	821	821	918	748		903
Production	7,860	7,700	7,581	7,750		7,900
MY Imports	4	4	5	5		5
TY Imports	4	5	5	5		5
TY Imp. from U.S.	0		0			
Total Supply	8,685	8,525	8,504	8,503		8,808
MY Exports	167	167	100	150		150
TY Exports	174	174	100	150		150
Feed and Residual	5,800	5,850	5,800	5,700		6,100
FSI Consumption	1,800	1,760	1,800	1,750		1,750
Total Consumption	7,600	7,610	7,600	7,450		7,850
Ending Stocks	918	748	804	903		808
Total Distribution	8,685	8,525	8,504	8,503		8,808

1000 HA, 1000 MT, MT/HA

The three main producers of oats in the EU27 are Poland, Finland, and Spain, have traditionally accounting for between 40 and 50 percent of the production. EU27 production of oats has been in long-term decline but good yields for the crop harvested in 2012 saw production rise. Indeed, if it had not been for a particularly poor crop in Spain, this increase would have been considerably higher.

MY2013/14 is forecast to see a further and more significant rise in production. This is mainly due to an improved outlook for the Spanish crop. However, it is worth noting that the planted area in Finland is increasing. Producers are reported to have responded to the more stable market for oats and the availability of new varieties with higher yields. Overall, the EU27 market also remains underpinned by the organic industry, which still has an interest in this grain for crop rotation purposes and demand for food and feed use.

Trade in oats is almost exclusively intra-EU with the minor export volume to non-EU27 countries originating from Finland and Sweden. The destinations are mainly Switzerland and the U.S.(the latter has traditionally been the largest market for horse feed), but total trade in recent years has been limited to around 150,000 MT.

Total annual FSI use is consistently around 1.75 MMT, a small portion of which (less than 50,000 MT) is used for the production of bioethanol and biogas. The remaining production is fed to animals, forecast at 6.1 MMT in MY2013/14.

## Mixed Grain

Mixed Grain EU-27	2011/2012		2012/2013		2013/2014	
	Market Year Begin: Jul 2011		Market Year Begin: Jul 2012		Market Year Begin: Jul 2013	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	4,077	4,040	3,964	3,950		4,175
Beginning Stocks	1,706	1,706	1,176	1,286		866
Production	14,370	14,500	14,609	15,000		15,250
MY Imports	0	0	0	0		0
TY Imports	0	0	0	0		0
TY Imp. from U.S.	0	0	0	0		0
Total Supply	16,076	16,206	15,785	16,286		16,116
MY Exports	0	0	0	0		0
TY Exports	0	0	0	0		0
Feed and Residual	13,700	13,700	13,900	14,200		14,250
FSI Consumption	1,200	1,220	1,200	1,220		1,220
Total Consumption	14,900	14,920	15,100	15,420		15,470
Ending Stocks	1,176	1,286	685	866		646
Total Distribution	16,076	16,206	15,785	16,286		16,116

1000 HA, 1000 MT, MT/HA

Mixed grain numbers include triticale and the threshed, dry seeds of wheat, barley, corn, oats, rye and sorghum grown and harvested in the same field. The main producing countries are Poland, Germany, and France, together accounting for over 80 percent of the production. MY2012/13 yield and production is revised upwards, largely due to revised data from France, which experienced an excellent crop in 2012. Although the high yields of MY2012/13 are not expected to be repeated in MY2013/14, an increased area means production is forecast to further rise to 15.25 MMT. Triticale is almost exclusively used in animal feed and, while this is in decline in Poland due to reduced demand from the hog sector, this is being more than offset by increased feed usage in France. In addition, triticale is also used in bio-ethanol and biogas production in Germany, less so in Poland, accounting for an estimated total of about 400,000 MT. Any fluctuation in feed use is reflected in carryover stocks.

## Import Policy

The EU limits the entry of lower priced grains from non-EU countries through a system of import duties and quotas.

Under the WTO Uruguay Round, all import quotas and variable levies applied to EU imports of grains and processed cereals were fixed or ‘tariffied’ and subsequently reduced by 36 percent over the six year period of July 1, 1995 to June 30, 2001. However, under the Blair House Accord concluded between the United States and the EU in 1993, it was agreed that the difference between the grains import price (cost insurance freight [cif] duty paid in Rotterdam) and the EU’s intervention price could not be greater than 55 percent. The EU then developed a system where duties were set on the basis of separate reference prices for six grain types, and applied to imports of high quality wheat, durum wheat (high quality), durum wheat (medium quality), maize (corn), flint maize, rye and sorghum. The resulting duty has been set at Euro 0/Metric Ton (MT) for durum wheat and high quality wheat since the beginning of the 2010/11 marketing year. The duty for corn has been calculated at Euro 0/MT since August 17, 2010 and the duty for sorghum and rye at Euro 0/MT since October 19, 2010.

### Reference grains for calculating import duties

<i>Reference variety</i>	<i>Reference market</i>	
<i>High quality wheat</i>	<i>U.S. hard red spring No. 2</i>	<i>Minneapolis</i>
<i>Durum wheat (high quality)</i>	<i>U.S. hard amber durum No. 2</i>	<i>Minneapolis</i>
<i>Durum wheat (medium quality)</i>	<i>U.S. hard amber durum No. 2</i>	<i>Minneapolis</i>
<i>Maize (corn)</i>	<i>U.S. yellow corn No. 3</i>	<i>Chicago Mercantile Exchange</i>
<i>Flint maize</i>	<i>U.S. yellow corn No. 3</i>	<i>Chicago Mercantile Exchange</i>
<i>Other feed grains (rye, sorghum)</i>	<i>U.S. yellow corn No. 3 (Commission Implementing Regulation (EU) No 643/2011, July 1, 2011)</i>	<i>Chicago Mercantile Exchange</i>

Theoretical example illustrating method of calculating EU import duties

(Euro/ MT)	Representative world standard	EU Reference price (a)	World price (b)	FOB premium (c)	Freight (d)	Representative world price (e) = (b)+(c)+(d)	EU duty  (a)- (e)
Maize (corn)	Chicago yellow corn No. 3	157.03	68.46	16.20	15.56	100.22	56.81
Notes: Reference price = EU intervention price is 1.55 times Euro 101.31							

In January 2003, the EU discontinued this system for low and medium quality wheat and barley and introduced a system of quotas to protect EU producers from lower priced Black Sea imports, the duty for which had been calculated on the basis of higher U.S. prices. As such, imports entered the EU at very competitive rates.

More specifically, for medium and low quality wheat, a maximum annual tariff rate quota (TRQ) of 3,112,030 MT was opened in 2003 for medium and low quality wheat. A country specific quota of 572,000 MT was allocated for imports originating in the United States and 38,853 MT for those originating in Canada. The remaining 2.378 million MT is split into four equal tranches of 594,000 MT each on a quarterly basis, and is open to other non-EU countries on a first come first served basis.

From January 1, 2012, there has been a new *ergo omnes* (open to all) quota consisting of one tranche of 122,790 MT for medium and low quality wheat. This has been opened to take account of market loss arising from the accession of Bulgaria and Romania to the EU in 2007. The duty for imports under the quota is set at Euro 12/MT, while imports outside the quota are subject to a duty of Euro 95/MT.

For barley, the quota of 50,890 MT applies to malting barley at a duty of Euro 8/MT and a separate quota of 307,105 MT applies for other types of barley at Euro 16/MT. Barley outside the quota faces duties of Euro 93/MT.

The European Commission's Cereals Management Committee which met in November 2012 voted to suspend import duties on certain grains imported into the EU from January 2013 until the end of June 2013. The measure has been prolonged until December 2013. The move was aimed at easing the pressure on the EU market, especially for animal feed. The suspension relates to existing tariff rate quotas for low and medium quality soft wheat and for feed barley, where preferential tariffs of Euro 12/MT and Euro 16/MT respectively were reduced to zero for the volumes permitted under the quota.

Reductions For Maize(Corn) And Sorghum – “Abatimento”

The accession of Spain to the EU resulted in the application of common EU tariff barriers to Spanish imports and the loss of competitiveness for imports from non-EU countries. An agreement between the EU and the United States allows for the import of a fixed quantity of non-EU corn and sorghum at a preferential import duty as compensation for the loss of the Spanish market. The current agreement applies to 2 million MT of corn and 0.3 million MT of sorghum.

The EU also operates a reduced tariff import quota of 500,000 MT of corn into Portugal (maximum tariff of Euro 50 per MT). Amounts are reduced by any quantity of grain substitutes (e.g. starch residues and citrus pulp) imported in the same year. Flint maize is not permitted to be included within the concession.

Following the 2004 enlargement of the EU and a subsequent agreement between the EU and the United States, the EU opened an additional annual duty-free tariff quota of 277,988 MT of imports of corn from non-EU countries – the quota has been open since July 2006.

## **Export Policy**

The EU's ability to grant export subsidies, especially on wheat, became limited by WTO export subsidy limit commitments with the implementation of the WTO Uruguay Round Agreement on Agriculture.

As a part of that Agreement, GATT signatories committed to reduce the level of budgetary expenditure on export subsidies by 36 percent and the volume of subsidized exports by 21 percent over the six year period between July 1, 1995 and June 30, 2001. The WTO Ministerial meeting in Hong Kong in December 2005 agreed that all forms of agricultural export subsidy should be phased out by the end of 2013, with a substantial part already realized by 2010.

Within these constraints, the European Commission may fix refunds which enable EU exporters to compete on the lower priced world market. These may also to be fixed by tender. No export refunds have been granted on grains since September 2006 and grain-based processed products since 2007.

## **Intervention Mechanism**

EU legislation allows the EU to intervene in markets by purchasing grains from farmers and traders at an intervention price of Euro 101.31/MT, which reflects the delivered to store price at which EU purchases are made. Selling into intervention is aimed to be the market of last resort for farmers and traders. Intervention purchases may be made between November 1 and May 31 for common wheat, barley, corn, sorghum and durum wheat. Grain held in intervention stores is disposed of mainly through

sale by tender onto the domestic market or for export, although a proportion is released for the most deprived people in the EU.

The intervention arrangement was abolished for rye with effect from marketing year (MY – July 1 to June 30 for all grains and grains products) 2004/05. Guaranteed intervention quantities were reduced to 0 MT for corn from MY 2009/10, durum wheat from MY 2009/10, barley from 2010/11 and rice from MY 2009/10. By reducing the guaranteed intervention quantity to 0, the EU maintains the right to reintroduce intervention if market conditions are considered to be appropriate. A guaranteed intervention quantity of 3 million MT at the intervention price applies to soft wheat with effect from MY 2010/11. When that quantity has been reached, intervention may be made through tenders or bids. In the absence of guaranteed intervention quantities, tendering procedures were introduced for barley, corn and sorghum with effect from MY 2010/11.

### **Special Support Measures**

EU legislation allows for special measures in addition to intervention to be taken to support the market for grains in time of crisis. These measures would take place on an *ad hoc* basis and be proposed by the European Commission and decided by the Member States at the Management Committee. The transfer of grains between regions of the EU to relieve pressure is possible. For example, grain has been released occasionally from intervention to relieve animal feed shortages in drought-hit regions in the EU.

### **Biotechnology**

#### Authorization of MIR 162 corn for import

The slow rate of biotech product approvals in the EU continues to cause trade disruptions that impact U.S. exports of agricultural products to the EU significantly.

For example during most of 2011, U.S. exports to the EU of distillers dried grains with solubles (DDGS) were high largely due to the EU having approved various biotech corn events to provide much needed feed. However, exports of DDGS fell in October and November 2011 as more biotech corn events were deregulated and commercialized in the United States but not in the EU. Between January and April 2012, U.S. exports to the EU of DDGS reached only \$3 million as compared with an export value of \$50 million during the equivalent period in the previous year.

In 2012, the global protein markets were under extreme tension due to significantly increased demand mainly from China. Further to the drought in South America which sharply reduced market availability of soybean products, the lower rapeseed harvest in the EU, and drought in the United States, the EU

faced significant market disruptions for proteins. Livestock farmers were penalized by the lack of market access to alternative protein sources such as corn gluten feed (CGF) and DDGS resulting from asynchronous biotech authorizations in the EU. The price gap between EU imported proteins and CGF and DDGS for feed producers in non-EU countries widened significantly.

As a result, the EU industry put pressure on the European Commission to expedite EU authorization of Syngenta's biotech resistant corn, MIR 162, which was approved for imported food and feed use on October 18, 2012. U.S. exports increased slightly during the period November 2012 to March 2013.

### Cultivation of MON 810 corn

Two biotech products, MON 810 corn and the Amflora starch potato, are approved for cultivation in the EU.

Monsanto's MON 810 received its original approval for cultivation in the EU in 1998, and is currently undergoing the approval renewal process. Since 2007, the area sown with MON 810 in the EU has remained fairly stable at between 89,000 hectares and 129,000 hectares, the most significant increase taking place in Spain in 2011 and 2012. ISAAA data shows that MON 810 is largely grown in Spain, the Czech Republic, Portugal, Poland, Slovakia and Romania.

Factors discouraging farmers from cultivating biotech crops in the EU include:

- Public field registers detailing the location of commercially grown biotech crops (compulsory in most Member States);
- National cultivation bans in Austria, France, Germany, Greece, Luxembourg and Hungary;
- Stringent national coexistence measures in Belgium, Czech Republic, Germany, Hungary, Portugal, Romania and Slovakia;
- Threats by anti-biotech non-governmental organizations.

Despite these factors, many EU farming groups remain interested in using plant biotechnology because of the resultant yield benefits and cost saving.

For more information on biotechnology in the EU, see GAIN Report Number FR 9105 "EU27 Agricultural Biotechnology Annual" of August 3, 2012.

### **CAP Reform**

On March 13, 2013, the European Parliament voted on the European Commission's proposals for CAP Reform post-2014. During its meeting of March 18 and 19, 2013, the Agriculture Council agreed its

position on CAP Reform. Formal negotiations between the Parliament, Council and European Commission are now scheduled to take place at thirty trilogue meetings between April 11 and June 21, 2013. The only amendment to the EU grains regime made by the Commission's proposals is that sorghum and durum wheat will no longer have the potential to be subject to intervention. As such, it is not anticipated that CAP Reform will have a significant direct impact on the grains sector.